



Fiscal year ended February 2

Annual Report □ 1963 □ City Stores Company

BOARDS

Department Stores

LIT BROTHERS

Bernard Litvak, *Chairman of Board*
Jared L. Rosenthal, *President*

PENNSYLVANIA:

Philadelphia
69th Street (Upper Darby)
Northeast Philadelphia
Oregon Avenue (South Philadelphia)
Lawrence Park (Broomall)
Morrisville
Willow Grove

NEW JERSEY:

Atlantic City
Camden
Trenton

MAISON BLANCHE

Isidore Newman, II, *Chairman of Board*
Eldridge P. Jones, *President*

LOUISIANA:

New Orleans
Carrollton
Gentilly
Airline Highway
West Side
Gentilly Woods

LOVEMAN, JOSEPH & LOEB

Paul L. Dowd, *President*

ALABAMA:

Birmingham
Montgomery
Bessemer

LANSBURGH'S

Charles H. Jagels, *President*

DISTRICT OF COLUMBIA:

Washington

MARYLAND:

Langley Park

VIRGINIA:

Arlington (Shirlington)

LOWENSTEIN'S

Stanley H. Fried, *President*

TENNESSEE:

Memphis
East
South
Home Service

RICHARDS

Paul S. Walker, *President*

FLORIDA:

Miami
163rd Street
Miami Beach
Cutler Ridge
Palm Springs
Westchester*

KAUFMAN'S OF KENTUCKY

Arnold J. Mayo, *President*

KENTUCKY:

Louisville
Dixie Manor
Shelbyville

R. H. WHITE

Harold A. Broomfield, *Executive Head*

MASSACHUSETTS:

Worcester

CITYMART

Anthony G. Rispoli, *President*

MASSACHUSETTS:

Boston

HEARN'S

Gwilym R. Thomas, *Executive Head*

NEW YORK:

Bronx
Bay Shore

Specialty Stores

FRANKLIN SIMON

Benjamin Goldstein, *President*

CONNECTICUT:

Milford
Westport

DELAWARE:

Wilmington

DISTRICT OF COLUMBIA:

Washington

GEORGIA:

Atlanta
Lenox Square

MARYLAND:

Harundale Center
Mondawmin
Towson Center
Wheaton Plaza
Prince Georges Plaza

MASSACHUSETTS:

Boston

MICHIGAN:

Detroit
Northland Center
Eastland Center

MISSOURI:

Crestwood

NEW JERSEY:

East Orange
Eatontown
Hackensack
Haddonfield
Menlo Park
Morristown
Paramus

NEW YORK:

New York City
Buffalo — downtown and Thruway Plaza
Cross County
Garden City
Hicksville
Huntington
Manhasset
Roosevelt Field
Valley Stream

NORTH CAROLINA:

Charlotte

OHIO:

Cleveland
Swifton

PENNSYLVANIA:

Philadelphia
Germantown
Willow Grove

TENNESSEE:

Memphis

VIRGINIA:

Seven Corners

Home Furnishings Stores

W & J SLOANE

Leonard J. Novogrod, *President*

CALIFORNIA:

San Francisco
Los Altos
Oakland†
Sacramento
Walnut Creek
Redwood City†
San Jose

CONNECTICUT:

Milford
Stamford
Westport†

DISTRICT OF COLUMBIA:

Washington (2)
Spring Valley

NEW JERSEY:

Milburn
Ridgewood
Union†

NEW YORK:

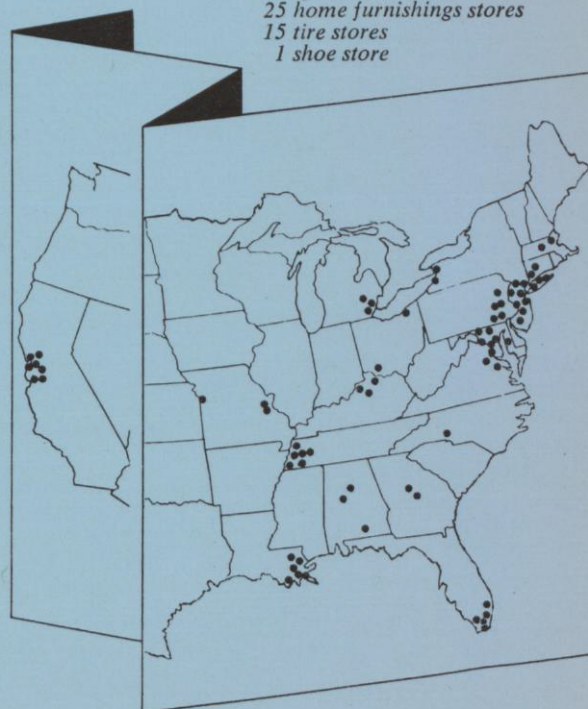
New York City
Forest Hills†
Garden City
Hempstead†
Manhasset
Riverdale†
White Plains
White Plains†

VIRGINIA:

Seven Corners

City Stores Company

operating
39 department stores
2 junior department stores
41 specialty stores
25 home furnishings stores
15 tire stores
1 shoe store



Junior Department Stores

KLINE'S

Jack C. Smith, *President*

MISSOURI:

Kansas City
Ward Parkway

† Clearance Centers

* To be opened in 1963

Directors

GUSTAVE G. AMSTERDAM
JAMES H. BECKER
MURRY C. BECKER
DAVID BORTIN
FRANKLIN F. BRUDER
J. J. CAPRANO
RALPH L. GOLDSMITH
ALBERT M. GREENFIELD
BRUCE H. GREENFIELD
JOSEPH A. W. IGLEHART
CHARLES H. JAGELS
WILLIAM F. KELLY
BERNARD LITVAK
ISIDORE NEWMAN, II
LEONARD J. NOVOGROD
THOMAS C. PILLION
MAX ROBB
SERGE SEMENENKO

Annual Report

for the fiscal year ended February 2

1963

City Stores Company

Corporation Office

132 West 31st Street, New York 1, N. Y.

New York Buying Office

Mutual Buying Syndicate, Inc.

11 West 42nd Street, New York, N. Y.

Officers

GUSTAVE G. AMSTERDAM, *Chairman of the Board*
ISIDORE NEWMAN, II, *President*
FRANKLIN F. BRUDER, *Executive Vice President and Treasurer*
PAUL L. DOWD, *Vice President*
BENJAMIN GOLDSTEIN, *Vice President*
CHARLES H. JAGELS, *Vice President*
ELDRIDGE P. JONES, *Vice President*
BERNARD LITVAK, *Vice President*
PAUL S. WALKER, *Vice President*
IRVING J. ZIPIN, *Secretary and General Attorney*
J. KARL FISHBACH, *Corporate Controller and Assistant Treasurer*

Transfer Agent	The Chase Manhattan Bank, New York, N. Y.
Co-Transfer Agent	The First Pennsylvania Banking & Trust Company, Philadelphia, Pa.
Registrar	Chemical Bank New York Trust Company, New York, N. Y.
Counsel	Folz, Bard, Kamsler, Goodis & Greenfield, Philadelphia, Pa.
Auditors	S. D. Leidesdorf & Co., New York, N. Y.

Annual Meeting Wednesday, May 15, 1963 • 11 A.M. (E.D.S.T.)
Sheraton-Atlantic Hotel, Broadway at 34th Street
New York, New York (Green Room, First Mezzanine)

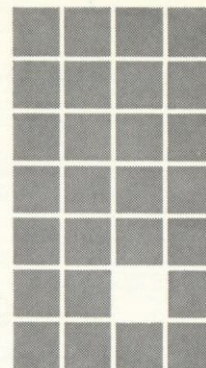
Highlights

	February 2, 1963 (52 Weeks)	February 3, 1962 (53 Weeks)
<i>Operations*</i>		
Sales	\$309,153,000	\$286,886,000
Loss or income before federal income taxes . . .	3,275,000	1,518,000
Federal income tax credit	1,680,000	—
Net loss or income	1,595,000	1,518,000
Income per average common share	—	0.54
<i>Dividends</i>		
Common stock	1,304,000	1,683,000
Per share of common stock	0.45	0.60
<i>Financial</i>		
Current assets	92,667,000	98,843,000
Current liabilities	36,753,000	35,321,000**
Working capital	55,914,000	63,522,000
Current ratio	2.5	2.8
Accounts receivable	76,385,000	66,245,000
Bank remittances on portion of receivables . . .	38,097,000	17,060,000
Inventories	39,775,000	32,944,000
Property and equipment — net	41,614,000	42,512,000
Long term debt	29,569,000	32,840,000
Ownership		
Common stock equity	58,150,000	59,869,000
Common stock equity per share	19.66	20.86
Number of shares outstanding		
Common stock — average during year	2,897,000	2,804,000
Common stock — at end of year	2,957,863	2,869,453

Italics denote red figures.

* Exclusive of extraordinary items which did not result from the usual or typical business operations of the periods and have been credited or charged to income reinvested in business or to reserves.

** After giving effect to the reclassification mentioned in Note E to the Financial Statements.



To the Stockholders:

During the fiscal year 1962, sales were \$309,153,000 compared with \$286,886,000 in fiscal 1961. The loss for the past year was \$1,595,000, compared with a profit of \$1,518,000 the year before. Because of these results, the Directors omitted the payment of the last two dividends on the Company's common stock regularly declared in January and April of the year. Reference is made to the page entitled "Highlights" and the financial statements and other financial data in this report.

Last year's loss resulted primarily from reduced sales and higher costs related to certain additional store acquisitions, reorganizations, mergers and physical changes in several of our important stores. We refer particularly to the acquisition by Lit Brothers of four branch stores in the greater Philadelphia area together with the problems of merging and absorbing managerial staffs, merchandising programs and operating systems. Reduced sales and higher costs were incurred through the move of the W. & J. Sloane Fifth Avenue store into the former Franklin Simon building at 38th Street and Fifth Avenue and the simultaneous move of the Franklin Simon store to beautifully remodelled quarters on busy 34th Street in New York City. While these steps were taken in order to strengthen and improve our operations, the first year's impact adversely affected 1962 earnings.

These changes have created for W. & J. Sloane at Fifth Avenue and 38th Street what is considered the outstanding quality home-furnishings store in the country and have established on 34th Street a Franklin Simon store which exemplifies the fashion rightness and shopping atmosphere which we hope to create at each of Franklin Simon's forty-one stores. The four new Lit Brothers branches have given our Philadelphia based operation the greatest retail coverage in the heavily populated and industrialized Delaware Valley area.

The year also saw the opening of successful branches for Kaufman's, in the populous suburb of Shelbyville, near Louisville, Kentucky; for Franklin Simon at Prince Georges Plaza in Prince Georges County, Maryland and in Ward Parkway, Kansas City, Missouri for the Kline division. The Richards store division of Miami opened its new 80,000 square foot branch at Palm Springs Shopping Center, Hialeah, Florida on March 20, 1963. This store has met with instant success and from early indications will make a fine contribution to Richards' sales and profits.

New top management in the person of Isidore Newman, II, the former President of our highly successful Maison Blanche stores in New Orleans, assumed the presidency of your Company as of May 16, 1962. After a period of study, a dual program was undertaken to upgrade our department store units while taking every possible means of expense reduction. One of the important moves was the termination of the Company's own New York buying office and the association with Mutual Buying Syndicate, where a much wider market coverage and research is afforded our stores. This is one of the largest independent buying offices representing similar type stores with a total buying power well in excess of a billion dollars.

Believing strongly in the future of its department store division, your management is taking all possible means to make these stores exciting, pleasant and inviting places to shop. We are broadening our assortments of quality merchandise through a concentrated program of resource relationships and world market coverage. A broader and larger import program is under way with 26 of our

buyers and promotional executives being sent to European and Far Eastern markets. A strong private label program has been inaugurated by your Company and results are beginning to show from this effort.

On behalf of the Directors and Officers, may we add a word of commendation and thanks for the loyal and devoted service of all of the Company's employees. We shall strive to give the leadership which is necessary to the development of the most competent and satisfactory personnel, for it is through the combined efforts of these thousands of members of our organization that we shall achieve our ultimate goals. To our resources, customers and shareholders we express our appreciation for their cooperation, loyalty and support.

Respectfully submitted,

Irvin Newman II
President

Gustave G. Amsterdam
Chairman of the Board

April 24, 1963



Richards Palm Springs on opening day

OUR NEW STORES



Kaufman's — The Mall at Shelbyville



Kline's Ward Parkway

Statement of Income

	Year Ended (52 Weeks) February 2, 1963	Year Ended (53 Weeks) February 3, 1962
Sales (including leased departments)	\$309,152,833	\$286,885,910
Deduct:		
Cost of goods sold and operating expenses less carrying charges	304,873,396	278,967,276
Depreciation and amortization	4,536,413	4,063,447
Interest and debt expense	3,635,141	2,745,210
	<u>313,044,950</u>	<u>285,775,933</u>
	3,892,117	1,109,977
Net income of unconsolidated subsidiaries (depreciation of \$474,470 and \$427,991, respectively, deducted) — Note A	415,491	201,119
Miscellaneous other income (net)	201,832	206,964
Loss or income before federal income taxes	<u>3,274,794</u>	<u>1,518,060</u>
Federal income tax credit — reduction in deferred federal income taxes — Note E.	1,680,000	—
Net loss or income	<u>\$ 1,594,794</u>	<u>\$ 1,518,060</u>

Italics denote red figures.

Exclusive of extraordinary items which did not result from the usual or typical business operations of the period and have been credited or charged to income reinvested in business or to reserves.

See notes to financial statements, pages 9 through 11.

Statement of

ASSETS

	<u>February 2, 1963</u>	<u>February 3, 1962</u>
CURRENT ASSETS		
Cash	\$ 10,894,366	\$ 13,438,313
Marketable securities — at cost (approximate market)	11,036	63,428
Accounts receivable — Note B	38,287,726	49,184,618
Merchandise inventories — Note C.	39,774,977	32,943,539
Supplies and prepaid expenses	3,698,627	3,213,234
TOTAL CURRENT ASSETS.	<u>92,666,732</u>	<u>98,843,132</u>
INVESTMENTS AND OTHER ASSETS		
Investments in and net receivables from unconsolidated subsidiaries — Note A and see page 8	5,901,245	4,635,696
U. S. Government securities deposited as security under leases.	249,838	259,529
Mortgages receivable, sundry investments and other items	1,106,722	939,530
Refundable prior years' federal income taxes	129,442	129,442
	<u>7,387,247</u>	<u>5,964,197</u>
PROPERTY AND EQUIPMENT — Note D		
Land, buildings, leaseholds, fixtures and equipment — at cost.	71,653,611	71,516,092
Less accumulated depreciation and amortization	30,039,437	29,003,969
	<u>41,614,174</u>	<u>42,512,123</u>
UNAMORTIZED DEBT EXPENSE	118,253	136,928
	<u>\$141,786,406</u>	<u>\$147,456,380</u>

See notes to financial statements, pages 9 through 11.

Financial Condition

LIABILITIES

	February 2, 1963	February 3, 1962
CURRENT LIABILITIES		
Notes payable — banks	\$ 7,500,000	\$ —
Accounts payable, accrued and sundry liabilities	23,653,110	26,426,536
Due for purchase of accounts receivable (previously sold by newly formed subsidiary or its predecessor)	—	4,545,942
Federal income taxes — Note E	353,615	433,615*
Current portion of long term debt and mortgages not assumed	5,246,607	3,915,351
TOTAL CURRENT LIABILITIES	36,753,332	35,321,444
LONG TERM DEBT (other than mortgages not assumed)		
— Note F	29,569,371	32,839,885
RESERVES — Note G	2,055,312	2,090,707
DEFERRED FEDERAL INCOME TAXES — Note E	5,149,543	6,818,044*
MORTGAGES NOT ASSUMED — Note D	8,092,702	8,718,185
DEFERRED CREDIT — Note H	1,428,558	1,799,250
MINORITY INTEREST	587,264	—
OWNERSHIP — Note I		
Common stock — \$5 par value — authorized 6,000,000 shares; outstanding 2,957,863 shares (after deducting 12,423 shares in treasury)	14,789,316	14,347,267
Other capital	20,217,674	19,619,769
Income reinvested in business — Note F	23,143,334	25,901,829
	58,150,324	59,868,865
	\$141,786,406	\$147,456,380

* Reclassified — see Note E.

Statement of Income Reinvested in Business—Note I

	Year Ended (52 Weeks) February 2, 1963	Year Ended (53 Weeks) February 3, 1962
Balance at beginning of year	\$25,901,829	\$30,525,928
Net loss or income	1,594,794	1,518,060
	<u>24,307,035</u>	<u>32,043,988</u>
Recoveries and gains in connection with R. H. White Boston . .	910,798	—
Service fee income applicable to prior years	<u>126,000</u>	<u>—</u>
Liquidation losses and extraordinary costs:		
Closing of Bry Block store	896,860	—
Termination of the Oppenheim Collins chain and its conversion and merger into Franklin Simon	—	3,511,062
Losses on unoccupied premises of closed stores	<u>—</u>	<u>947,785</u>
	<u>896,860</u>	<u>4,458,847</u>
Dividends:		
Cash	263,684	358,568
Stock	<u>1,039,955</u>	<u>1,324,744</u>
	<u>1,303,639</u>	<u>1,683,312</u>
Balance at end of year—Note F	<u>\$23,143,334</u>	<u>\$25,901,829</u>

See notes to financial statements, pages 9 through 11.

Unconsolidated Real Estate Subsidiaries—Combined
Summary of Net Assets—Note A

	February 2, 1963*	February 3, 1962
Land, buildings, leaseholds and equipment, less depreciation (includes unoccupied premises of closed stores)	\$15,163,420	\$12,355,195
Mortgages and loan payable—current portions \$439,011 (this year) and \$334,588 (last year)	<u>9,646,414</u>	<u>8,181,002</u>
	5,517,006	4,174,193
Other assets, including cash of \$83,390 (this year) and \$73,019 (last year)	<u>792,663</u>	<u>794,832</u>
	6,309,669	4,969,025
Accounts payable and federal income taxes	408,424	333,329
Net assets	<u>\$ 5,901,245</u>	<u>\$ 4,635,696</u>
Consisting of:		
Intercompany accounts with parent companies—net . . .	\$ 3,531,831	\$ 3,791,470
Capital stocks and surplus	<u>2,369,414</u>	<u>844,226</u>
	<u>\$ 5,901,245</u>	<u>\$ 4,635,696</u>

* Includes the accounts of a real estate subsidiary which last year were included in the consolidated financial statements.

Leases:

The minimum annual rentals upon real property leased to unconsolidated subsidiaries under leases expiring more than 3 years from February 2, 1963 amounted to approximately \$350,000 of which approximately \$250,000 pertains to properties leased to City Stores Company. Certain of the leases with an aggregate minimum annual rental of approximately \$200,000 have been guaranteed by City Stores Company. Certain of the leases provide for payment of additional rental based on a percentage of sales (related to premises occupied by parent or consolidated subsidiaries) over a fixed amount and for taxes, insurance or other charges.

Notes to Financial Statements

The financial statements for the preceding year with a reclassification, are included for comparison purposes only. Reference should be made to the previously issued Annual Report for the Accountants' Report and notes relating to those financial statements.

A — PRINCIPLES OF CONSOLIDATION

The accounts of all subsidiaries are included in the accompanying consolidated financial statements, except those of certain real estate subsidiaries, the investments in which are included in the accompanying statement of financial condition at amounts equal to the net assets of such subsidiaries. As at February 2, 1963, the net assets (immaterial in amount) of a real estate subsidiary, previously consolidated, were excluded from the consolidated statement of financial condition and shown as an investment. A summary of the net assets of these real estate subsidiaries is set forth on page 8.

B — ACCOUNTS RECEIVABLE

The Company has agreements with various banks which provide, in effect, for a form of revolving credit under which specific accounts receivable are assigned to the banks, and the banks remit amounts equal to 90% of the accounts assigned, withholding 10% of the uncollected balances representing the Company's equity. Under the agreements, the Company accepts reassignment of any accounts in default (as defined) as long as it continues to assign accounts.

The accounts receivable are summarized as follows:

	This Year	Last Year
Accounts receivable customers and others — after deducting \$281,782 (this year) and \$7,285,712 (last year) received on account of the sale of a portion of installment receivables	\$79,642,704	\$68,916,691
Less:		
Accounts receivable assigned net of equity of \$4,233,003 (this year) and \$1,895,591 (last year)	38,097,026	17,060,322
Allowances for doubtful accounts	3,257,952	2,671,751
	41,354,978	19,732,073
	<u>\$38,287,726</u>	<u>\$49,184,618</u>

C — MERCHANDISE INVENTORIES — Determined principally under Retail Method

Merchandise inventories, as summarized below, are priced principally at LIFO cost and partly at the lower of cost or market. The inventories priced at LIFO cost would be approximately \$5,040,000 more for this year and \$5,046,000 more for last year if they had been priced at the lower of cost or market.

	This Year	Last Year
At LIFO cost	\$29,325,626	\$23,821,920
Less:		
Allowance for discounts	771,592	614,267
Allowance for markdowns and liquidation costs	—	343,812
	28,554,034	22,863,841
At lower of cost or market	11,220,943	10,079,698
	<u>\$39,774,977</u>	<u>\$32,943,539</u>

D — REAL ESTATE

The accounts include real estate in the net amount of \$8,938,075, principally store properties, subject to mortgages which at February 2, 1963 amounted to \$8,718,185. The Company is not liable on the mortgage notes. Three liquidated real estate subsidiaries remain liable on the mortgages.

E — FEDERAL INCOME TAXES

The Company records income from installment sales for financial accounting purposes at the time sales are made and for tax purposes generally on the basis of cash collections. The deferred federal income taxes on installment sales, which were previously included in current liabilities, have been reclassified to deferred federal income taxes, which also include amounts applicable to accelerated depreciation.

The accompanying financial statements are subject to final determination of federal, state and local taxes.

F — LONG TERM DEBT (other than mortgages not assumed)

	This Year	Last Year
Long term debt is summarized as follows:		
Notes payable — bank and insurance company	\$25,426,000	\$29,284,000
4% sinking fund debentures (subordinated) — payable \$153,000 in 1964 and \$300,000 annually thereafter	1,953,000	2,342,000
Notes payable — parent company (see Note J-3)	1,658,194	—
Other notes payable	532,177	1,213,885
	<u>\$29,569,371</u>	<u>\$32,839,885</u>

Annual maturities after one year of notes payable under loan agreements with The Prudential Insurance Company of America and The First National Bank of Boston aggregate \$3,858,000 from 1964 to 1966, \$1,983,000 from 1967 to 1970, \$5,583,000 in 1971, and approximately \$83,000 from 1972 to 1975. Maturities of notes payable — parent company and other notes payable aggregate approximately \$1,658,000 and \$532,000, respectively, in 1964. The loan agreements provide, among other things, for (1) the maintenance of minimum consolidated working capital of \$50,000,000, (2) restrictions on the purchase, redemption or other acquisition of the Company's stock, and (3) restrictions on the payment of cash dividends on the Company's common stock. Under the restrictions of the loan agreements, the Company is not presently permitted to pay cash dividends.

G — RESERVES

	This Year	Last Year
The reserves are provided for the following:		
Restoration of leased properties	\$ 441,899	\$ 441,899
Termination of store operations	328,685	474,334
Excess rentals	550,234	598,676
Deferred compensation	734,494	575,798
	<u>\$ 2,055,312</u>	<u>\$ 2,090,707</u>

Reserve for termination of store operations represents the estimated expense to be incurred at vacated stores, less amounts included in current liabilities.

H — DEFERRED CREDIT

This account includes (a) \$788,190 (exclusive of the portion included in current liabilities) which arose in connection with sales during prior years of rights to receive rents from certain tenants within the period ending April 30, 1965, and (b) \$640,368 gain during the year on the sale of real estate being amortized over 25 years, the term of the leaseback of such real estate.

I — OWNERSHIP

The Company's restricted Stock Option Plan makes available for granting to selected key executives and managerial employees, stock options to purchase 125,000 shares of the Company's common stock at not less than 95% of the market price on the date of grant. Options granted are exercisable in nine annual installments on a cumulative basis commencing 18 months from grant dates. During the year, options for 9,250 shares were granted at \$12.11 per share and options for 2,000 shares were cancelled. As at February 2, 1963, options were outstanding for 63,000 shares granted at prices ranging from \$12.00 to \$14.13 per share.

The increase of \$597,905 in other capital represents the excess of the approximate market value over par value of 88,410 shares of common stock issued in connection with optional cash or stock dividends.

Under a previously existing right, an executive of a consolidated subsidiary purchased from the Company a 14% interest in the capital stock of such subsidiary at a price per share equal to the Company's purchase price. Subsequent to February 2, 1963, another executive purchased a 2% stock interest in the same subsidiary at the price per share of the preceding purchase.

Recoveries and gains in connection with R. H. White Boston in the amount of \$910,798, which have been credited to income reinvested in business, include a net gain of \$646,982 on the sale of the leasehold interest in the former warehouse premises of that store and other recoveries.

During the year, the Bry Block store was closed and its operations terminated. The liquidating losses and extraordinary costs relative to the foregoing, incurred or estimated to be incurred, have been charged to income reinvested in business.

J — CONTINGENCIES AND OTHER COMMENTS

1. The minimum annual rentals on real property leased to the Company and its consolidated subsidiaries under leases expiring more than three years from February 2, 1963, amount to approximately \$1,700,000 under leases with the unconsolidated real estate subsidiaries and \$6,200,000 under leases with others including \$400,000 with its parent, Bankers Securities Corporation. Certain of the leases provide for payment of additional rental based on a percentage of sales over a fixed amount and for taxes, insurance or other charges. Reference is made to summary of net assets of the unconsolidated real estate subsidiaries for minimum rentals payable by such subsidiaries.

Certain leases provide for the restoration of the related properties to their original condition, in connection with which, upon vacating such properties, there may be incurred costs in an amount presently indeterminable. Accordingly, no provision has been made in the accounts for such costs, except as to \$441,899 (included in the tabulation of reserves in Note G) recorded on the acquisition of a subsidiary in a prior year.

2. The Company's non-contributory pension plan (as amended) covers, generally, employees with 20 years of service who are not participants in any other plan to which the Company contributes. The plan provides for retirement at age 65 with no vesting of rights. Although the Company does not presently contemplate funding this plan, it may do so in the future. The Company may amend, modify or terminate the plan in whole or in part at any time. The benefits paid under this plan, which are charged to operations as paid, approximated \$170,000 and will increase to an annual amount of approximately \$550,000 in 1972. Payments under informal arrangements to presently retired employees (approximately \$400,000 this year) will gradually decline, based on mortality factors. The amount which would have been necessary to fund this plan, as at February 2, 1963, with respect to past services as related to employees 55 years of age and over and retired employees, has been estimated by the Company's consulting actuary at approximately \$6,500,000. The past service cost for other eligible employees has not been computed.
3. During 1962 the Company purchased from its parent, Bankers Securities Corporation, the operating assets of four branch stores and four tire and accessory stores formerly operated under the name of Snellenburgs. The Company also acquired by assignment and sublease the respective leases for these units, assuming the obligations thereunder. The minimum annual rentals under the leases amount to approximately \$500,000. The purchase price of approximately \$4,700,000 represented the seller's net book amount of the respective assets. A portion of the price, \$1,718,000, is represented by the Company's notes due on or before February 26, 1964. The Company also undertook the management of the Snellenburgs main store (owned by Bankers Securities Corporation) in downtown Philadelphia for a fee of 3% of the store's net sales which was anticipated would cover the cost of such service. This store was closed on February 16, 1963, and after competitive bidding the Company purchased its inventory for approximately \$500,000.

Accountants' Report

S. D. LEIDESDORF & CO.
 CERTIFIED PUBLIC ACCOUNTANTS
 NEW YORK, N. Y.

To the Board of Directors, City Stores Company, New York, N. Y.

We have examined the consolidated statement of financial condition of City Stores Company and consolidated subsidiaries as at February 2, 1963, and the related consolidated statements of income and income reinvested in business for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above, together with the notes to financial statements, present fairly the consolidated financial position of City Stores Company and consolidated subsidiaries at February 2, 1963, and the consolidated results of their operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

New York, N. Y.
 April 16, 1963

S. D. LEIDESDORF & CO.

Historical Comparison

	February 2, 1963	February 3, 1962	January 28, 1961	January 30, 1960	January 31, 1959	February 1, 1958
Operations*						
Sales	\$309,153,000	\$286,886,000	\$262,504,000	\$274,633,000	\$268,964,000	\$263,747,000
Index of sales	117%	109%	100%	104%	102%	100%
Income or <i>loss</i> before federal income taxes	<i>3,275,000</i>	1,518,000	349,000	5,654,000	5,058,000	6,540,000
Federal income taxes .	<i>1,680,000</i>	—	<i>1,520,000</i>	2,900,000	2,750,000	3,200,000
Net income or <i>loss</i> . .	<i>1,595,000</i>	1,518,000	1,869,000	2,754,000	2,308,000	3,340,000
Income or <i>loss</i> applica- ble to common stock	<i>1,595,000</i>	1,518,000	1,869,000	2,754,000	2,272,000	3,298,000
Income per average common share	—	0.54	0.69	1.09	0.90	1.31
Dividends						
Preferred stock	—	—	—	—	36,000	42,000
Common stock	1,304,000	1,683,000	2,424,000	2,525,000	3,282,000	3,534,000
Per share						
Preferred stock	—	—	—	—	4.25	4.25
Common stock	0.45	0.60	0.90	1.00	1.30	1.40
Financial						
Current assets	92,667,000	98,843,000	85,898,000	94,718,000	99,943,000	96,495,000
Current liabilities . . .	36,753,000	35,321,000**	26,618,000	34,320,000	34,263,000	30,285,000
Working capital	55,914,000	63,522,000	59,280,000	60,398,000	65,680,000	66,210,000
Current ratio	2.5	2.8	3.2	2.8	2.9	3.2
Accounts receivable . .	76,385,000	66,245,000	56,185,000	63,876,000	62,299,000	60,922,000
Bank remittances on portion of receivables	<i>38,097,000</i>	<i>17,060,000</i>	<i>14,837,000</i>	<i>12,871,000</i>	<i>12,283,000</i>	<i>12,871,000</i>
Inventories	39,775,000	32,944,000	26,610,000	30,235,000	27,892,000	31,996,000
Property and equipment — net	41,614,000	42,512,000	38,456,000	38,953,000	39,505,000	28,117,000
Long term debt	29,569,000	32,840,000	27,443,000	29,128,000	32,336,000	32,371,000
Ownership						
Preferred stock	—	—	—	—	—	882,000
Common stock equity	58,150,000	59,869,000	63,168,000	62,294,000	61,755,000	63,101,000
Common stock equity per share . . .	19.66	20.86	22.83	23.31	24.46	24.99
Number of common shares outstanding						
Average during year	2,897,000	2,804,000	2,694,000	2,525,000	2,525,000	2,524,000
At end of year	2,957,863	2,869,453	2,767,012	2,672,766	2,524,553	2,524,567

Italics denote red figures.

* Exclusive of extraordinary items which did not result from the usual or typical business operations and have been credited or charged to income reinvested in business or to reserves.

** After giving effect to the reclassification mentioned in Note E to the Financial Statements.

